CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

September 22, 2000

H.R. 4444

An act to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the People's Republic of China

As cleared by the Congress on September 19, 2000

H.R. 4444 would allow the President to grant permanent Normal Trade Relations (PNTR) status to the People's Republic of China (China). H.R. 4444 would become effective no earlier than the date of the accession of the People's Republic of China to the World Trade Organization (WTO). CBO concludes that enactment of the bill would likely increase revenues, but CBO has no basis for estimating the revenue impact of granting the President such authority.

H.R. 4444 would remove China from the list of countries under title IV of the Trade Act of 1974 (the Jackson-Vanik amendment). Removing China from the Jackson-Vanik amendment would allow the President to grant PNTR to China.

CBO estimates that, by itself, granting PNTR treatment to China would have no impact on receipts relative to its revenue baseline. The People's Republic of China has received Normal Trade Relations (NTR) status, renewed annually on the basis of a Presidential waiver of the Jackson-Vanik amendment, since February 1, 1980. CBO's revenue baseline assumes that the People's Republic of China will continue to receive NTR status. Granting China PNTR status could have an effect on receipts by allowing the United States to trade with China under the WTO, if and when China should enter the WTO. Without legislation enabling the President to grant PNTR to China, the United States would not be able to trade with China under the WTO.

Imports of textile and apparel products from China are currently subject to quotas. If the United States were to trade with China under the WTO, these quotas would be liberalized. Imports of textile and apparel products from China would likely increase. CBO expects that increased imports from China would be partly offset by decreased imports from other countries. The increase in imports could also be offset by a provision in H.R. 4444 that would allow the President to place increased duties or other restrictions on Chinese imports if it is determined that such imports cause or threaten to cause market disruption to domestic producers. The result of these changes would be an increase in collections of tariff revenues.

However, because of the complexity of the world market, undetermined issues facing if, how, and when China would join the WTO, and administrative mechanisms that could potentially be employed to alter the China's quota under the WTO, CBO has no basis to determine what the magnitude of such an effect would be.

The CBO staff contact for this estimate is Erin Whitaker. This estimate was approved by G. Thomas Woodward, Assistant Director for Tax Analysis.